

**Moffatt Township
Arenac County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name MOFFATT TOWNSHIP	County ARENAC
Audit Date 3/31/06	Opinion Date 9/14/06	Date Accountant Report Submitted to State: 9/19/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER, CPAs, P.C.			
Street Address 103 E MAIN STREET, PO BOX 69		City ROSE CITY	State MI
		ZIP 48654	
Accountant Signature <i>Rodney C Robertson, CPA</i>			Date 9/19/06

Moffatt Township

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ROBERTSON & CARPENTER CPAs, P.C.

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INDEPENDENT AUDITOR'S REPORT

Township Board
Moffatt Township
Alger, Michigan 48610

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moffatt Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Moffatt Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Moffatt Township as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 23 and 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moffatt Township's basic financial statements. The accompanying pages of other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.

Robertson & Carpenter CPAs, P.C.

September 14, 2006

Management's Discussion and Analysis

As management of Moffatt Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,142,449 (*net assets*). Unrestricted net assets for the governmental activities were \$835,693. This amount represents the part of net assets that is available to finance day-to-day operations of the Township.
- The Township's total net assets increased by \$85,570.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$835,693, an increase of \$62,849 in comparison with the prior year. The General Fund balance is \$226,065 at March 31, 2006, 27% of the total fund balances. The fund balance in the Fire Fund is \$285,959. The fund balance in the Road Fund is \$133,994. The fund balance in the Mosquito Fund is \$107,660. The fund balance in other non-major governmental fund total \$82,015.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$226,065 or 146% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest payable).

Both of the government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development. The Township has no business-type activities as of and for the year ended March 31, 2006.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund and Mosquito Fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided for the General Fund, Road Fund, Fire Fund, and Mosquito Fund herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Tax Collection fund is the only fiduciary fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-22 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$1,142,449 at the close of the most recent fiscal year.

A portion of the Township's net assets (27%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Net Assets

	Governmental Activities	
	2006	2005
Current and Other Assets	\$ 880,578	\$ 787,900
Capital Assets, Net	306,756	278,567
Total Assets	\$ 1,187,334	\$ 1,066,467
Current Liabilities	\$ 44,885	\$ 9,588
Net Assets:		
Invested in Capital Assets, Net of Related Debt	306,756	278,567
Unrestricted	835,693	778,312
Total Net Assets	\$ 1,142,449	\$ 1,056,879

The Township's net assets increased by \$85,570 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$57,381, or 7%, during the fiscal year ended March 31, 2006.

Township's Changes in Net Assets

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 14,331	\$ 9,570
General Revenue:		
Property Taxes	215,688	171,579
State Revenues	86,123	81,029
Interest Earnings	9,400	7,537
Other	<u>9,044</u>	<u>10,290</u>
Total Revenue	\$ 334,586	\$ 280,005
Expenses:		
General Government	\$ 132,493	\$ 131,795
Public Safety	61,543	58,140
Public Works	38,333	63,388
Community and economic development	<u>16,647</u>	<u>14,853</u>
Total Expenses	\$ <u>249,016</u>	\$ <u>268,176</u>
Increase in Net Assets	85,570	11,829
Net Assets, Beginning of Year	<u>1,056,879</u>	<u>1,045,050</u>
Net Assets, End of Year	\$ <u><u>1,142,449</u></u>	\$ <u><u>1,056,879</u></u>

Governmental activities. The Township's total governmental revenues increased by \$54,581 compared to the previous fiscal year. The new Road millage generated an additional \$41,096 in property tax revenue for the year. Expenses decreased by \$19,160. Gypsy moth spraying expense decreased by \$30,887, while other expense categories increased compared to the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$835,693, an increase of \$62,849 in comparison with the prior year. The General Fund portion of the fund balance is \$226,065, which is available for spending at the Township's discretion. The remainder of the fund balance consists of Road Fund of \$133,994, Fire Fund of \$285,959, Mosquito Fund of \$107,660 and Gypsy Moth Fund of \$82,015.

The general fund is the principal operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$226,065. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The entire General Fund balance is unreserved and represents approximately 146% of total general fund expenditures.

The changes in fund balances were as follows; General Fund increased by \$7,011, Road Fund increased by \$22,385, Fire Fund increased by \$14,102, Mosquito Fund increased by \$21,284 , and the non-major fund (Gypsy Moth) decreased by \$1,933 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted funds are the General Fund, Road Fund, Fire Fund and Mosquito Fund. There were no budget amendments during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$306,756 (net of accumulated depreciation). Investment in capital assets includes land, infrastructure, vehicles and equipment. Additions for the fiscal year totaled \$63,173.

Township's Capital Assets (net of depreciation)

Land	\$	35,300
Infrastructure		152,118
Buildings and improvements		66,366
Furniture and Equipment		<u>52,972</u>
 Total	\$	 <u>306,756</u>

Additional information on the Township's capital assets can be found in note 5 on page 21 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2005-2006, the Township received \$77,864 in state shared revenue, representing 48% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Moffatt Township
Clerk's Office
1720 Ruffed Grouse Trail
Alger, MI 48610

Moffatt Township
Statement of Net Assets
March 31, 2006

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 639,484
Receivables	207,941
Due from governmental units	33,153
Capital assets-net (Note 5)	<u>306,756</u>
Total assets	<u>1,187,334</u>
Liabilities	
Accounts payable	25,465
Accrued and other liabilities	<u>19,420</u>
Total liabilities	<u>44,885</u>
Net Assets	
Invested in capital assets, net of related debt	306,756
Unrestricted	<u>835,693</u>
Total net assets	<u><u>\$ 1,142,449</u></u>

See accompanying notes to financial statements.

Moffatt Township
Statement of Activities
Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Governmental Activities</u>
			<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary government:			
Governmental Activities:			
General government	\$ 132,493	\$ 14,331	\$ (118,162)
Public safety	61,543	-	(61,543)
Public works	38,333	-	(38,333)
Community and economic development	<u>16,647</u>	<u>-</u>	<u>(16,647)</u>
 Total governmental activities	 <u>\$ 249,016</u>	 <u>\$ 14,331</u>	 <u>(234,685)</u>

General Revenues:

Property taxes and fees	215,688
State revenues	86,123
Interest and investment earnings	9,400
Other	<u>9,044</u>

Total general revenues	<u>320,255</u>
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Change in Net Assets	85,570
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Net assets - beginning of year	<u>1,056,879</u>
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Net assets - end of year	<u>\$ 1,142,449</u>
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See accompanying notes to financial statements.

Moffatt Township
Governmental Funds
Balance Sheet
March 31, 2006

	General Fund	Road Fund	Fire Fund
Assets			
Cash and investments	\$ 136,234	\$ 84,925	\$ 263,283
Due from other funds	94,737	44,005	74,897
Due From other governmental units	17,239	5,064	7,295
Total assets	\$ 248,210	\$ 133,994	\$ 345,475
Liabilities			
Accounts payable	\$ 601	\$ -	\$ 24,864
Accrued and other liabilities	19,420	-	-
Due to other funds	2,124	-	34,652
Total liabilities	22,145	-	59,516
Fund balances			
Unreserved:			
General Fund	226,065	-	-
Unreserved-undesignated, reported in:			
Special Revenue Funds	-	133,994	285,959
Total fund balances	226,065	133,994	285,959
Total liabilities and fund balances	\$ 248,210	\$ 133,994	\$ 345,475

Fund Balances - Total Governmental Funds

Elimination of due to and due from other funds

 Due to

 Due from

Amounts reported for governmental activities in the statement of net assets
are different because:

 Capital assets used in governmental activities are not financial
 financial resources, and are not reported in the funds.

 The cost of capital assets is
 Accumulated depreciation is

Net Assets of Governmental Activities

See accompanying notes to financial statements.

<u>Mosquito Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 70,343	\$ 84,699	\$ 639,484
36,497	-	250,136
3,555	-	33,153
<u>\$ 110,395</u>	<u>\$ 84,699</u>	<u>\$ 922,773</u>
\$ -	\$ -	\$ 25,465
-	-	19,420
2,735	2,684	42,195
<u>2,735</u>	<u>2,684</u>	<u>87,080</u>
-	-	226,065
107,660	82,015	609,628
<u>107,660</u>	<u>82,015</u>	<u>835,693</u>
<u>\$ 110,395</u>	<u>\$ 84,699</u>	<u>\$ 922,773</u>
		835,693
		42,195
		(42,195)
		644,216
		(337,460)
		<u>\$ 1,142,449</u>

Moffatt Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2006

	General Fund	Road Fund	Fire Fund
Revenues			
Taxes and fees	\$ 52,349	\$ 46,564	\$ 82,191
State revenues	83,876	2,247	-
Charges for services	14,331	-	-
Interest and rentals	2,219	2,196	4,610
Reimbursements	6,950	-	500
Other	1,594	-	-
Total revenues	<u>161,319</u>	<u>51,007</u>	<u>87,301</u>
Expenditures			
Current:			
General government	126,722	-	-
Public safety	-	-	39,487
Public works	4,618	28,622	-
Community and economic development	16,647	-	-
Capital outlay	6,321	-	33,712
Total expenditures	<u>154,308</u>	<u>28,622</u>	<u>73,199</u>
Net Change in Fund Balance	7,011	22,385	14,102
Fund balances-Beginning of year	<u>219,054</u>	<u>111,609</u>	<u>271,857</u>
Fund balances-End of year	<u>\$ 226,065</u>	<u>\$ 133,994</u>	<u>\$ 285,959</u>

See accompanying notes to financial statements.

<u>Mosquito Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 40,052	\$ -	\$ 221,156
-	-	86,123
-	-	14,331
159	216	9,400
-	-	7,450
-	-	1,594
<u>40,211</u>	<u>216</u>	<u>340,054</u>
-	-	126,722
-	-	39,487
18,927	2,149	54,316
-	-	16,647
-	-	40,033
<u>18,927</u>	<u>2,149</u>	<u>277,205</u>
21,284	(1,933)	62,849
<u>86,376</u>	<u>83,948</u>	<u>772,844</u>
<u>\$ 107,660</u>	<u>\$ 82,015</u>	<u>\$ 835,693</u>

Moffatt Township
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
March 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 62,849

Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$ (34,984)	
Capital outlay	40,033	
Public works - roads	<u>23,140</u>	
		28,189

Special assessment revenues are recorded in the
statement of activities when the assessment is
set; they are not reported in the funds until
collected or collectible within 60 days of year end (5,468)

Change in Net Assets of Governmental Activities \$ 85,570

See accompanying notes to financial statements.

Moffatt Township
Fiduciary Funds
Statement of Net Assets
March 31, 2006

	<u>Agency Funds</u>
Assets	
Cash	\$ <u>213,465</u>
Total assets	\$ <u><u>213,465</u></u>
 Liabilities	
Due to other funds	\$ 207,941
Due to other governments	<u>5,524</u>
Total liabilities	\$ <u><u>213,465</u></u>

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Moffatt Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township is governed by an elected five member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the financial statements present the Township as the primary government. The Township does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis for Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and severance pay are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Road Fund - The Road Fund is used to record property tax revenue, interest earnings, and other revenue restricted for use on Township roads.

Fire Fund - The Fire Fund is used to record property tax revenue, interest earnings, and other revenue restricted for fire protection services.

Mosquito Fund - The Landfill Fund is used to record the activity of the Township's mosquito activities.

Additionally, the Township reports the following funds:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions; and (3) capital grants and contributions, including, special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property Taxes - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$41,596,890. The 2005 tax levy was .8511 mills for general operating purposes, 1.9834 for the Fire Fund, .9917 for the Road Funds and .9665 for the Mosquito Fund raising \$35,269 for general operating purposes, \$82,192 for fire protection purposes, \$41,096 for road maintenance purposes, and \$40,052 for mosquito purposes.

Inventories and Prepaid items - Inventories are valued at cost, on a first-in, first-out basis. Inventory of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose.

The fund financial statements focus on major funds rather than fund types.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. Public hearings are obtained to obtain taxpayer comments and the budgets are adopted at the activity level by a majority vote of the Township Board.

The budget document presents information by fund and activity. The legal level of budgetary control adopted by the Township Board is the activity level.

During the year, there were no amendments to the adopted budgets.

Moffatt Township
Notes to Financial Statements
March 31, 2006

Note 2 - Stewardship, Compliance and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<u>General Fund:</u>			
Capital outlay	\$ -	\$ 6,321	\$ 6,321
<u>Road Fund:</u>			
Public Works	-	28,622	28,622
<u>Fire Fund:</u>			
Capital outlay	-	33,712	33,712
<u>Mosquito Fund:</u>			
Public Works	-	18,927	18,927

Note 3 - Deposits and Investments

A reconciliation of cash and investments as shown in the financial statements to the Township's deposits and investments is as follows:

<u>Government-wide Financial Statement Captions:</u>	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 639,484	\$ 213,465	\$ 852,949
	<u>\$ 639,484</u>	<u>\$ 213,465</u>	<u>\$ 852,949</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings, and certificates of deposit)	\$ 852,949
	<u>\$ 852,949</u>

Investment and deposit risk:

Interest rate

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Township has no investments for which ratings are required.

Moffatt Township
Notes to Financial Statements
March 31, 2006

Note 3 - Deposits and Investments (Continued)

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a policy for custodial credit risk. At March 31, 2006, \$677,452 of the Township's bank balances of \$877,452 was exposed to custodial credit risk because it was uninsured.

The Township Board is authorized to designate depositories for Townships funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Township is authorized by statute and Township policy to invest surplus funds in the following:

- a. Bonds, securities, and other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States with remaining maturities of two years or less.
- b. Certificates of deposit of a bank which is a member of the Federal Deposit Insurance Corporation.
- c. Commercial paper rated at the time of purchase within the two highest classifications by not less than two standard rating services.

The Township's deposits are in accordance with statutory authority.

Note 4 - Receivables, Payables and Transfers

The following is the detail of the receivables of the governmental activities due from other governmental units at March 31, 2006:

	General Fund	Other Major and Non- Major Funds	Total
State of Michigan	\$ 12,748	\$ -	\$ 12,748
Arenac County	4,491	15,914	20,405
	<u>\$ 17,239</u>	<u>\$ 15,914</u>	<u>\$ 33,153</u>

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 94,737	General Fund	\$ 2,124
Fire Fund	74,897	Fire Fund	34,652
Road Fund	44,005	Road Fund	-
Mosquito Fund	36,497	Mosquito Fund	2,735
Gypsy Moth Fund	-	Gypsy Moth Fund	2,684
Fiduciary Funds	-	Fiduciary Funds	207,941
Total	<u>\$ 250,136</u>	Total	<u>\$ 250,136</u>

Moffatt Township
Notes to Financial Statements
March 31, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities were as follows:

Governmental Activities

<u>Assets</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Capital assets not being depreciated - Land	\$ 35,300	\$ -	\$ -	\$ 35,300
Construction in Progress	-	30,962	-	30,962
Capital assets being depreciated:				
Infrastructure	139,292	23,140	-	162,432
Buildings	71,460	-	-	71,460
Furniture and equipment	334,991	9,071	-	344,062
Subtotal	<u>581,043</u>	<u>63,173</u>	<u>-</u>	<u>644,216</u>
<u>Accumulated Depreciation</u>				
Infrastructure	3,157	7,157	-	10,314
Buildings	34,439	1,617	-	36,056
Furniture and equipment	264,880	26,210	-	291,090
Subtotal	<u>302,476</u>	<u>34,984</u>	<u>-</u>	<u>337,460</u>
Net capital assets being depreciated	<u>278,567</u>	<u>28,189</u>	<u>-</u>	<u>306,756</u>
Net capital assets	\$ <u><u>278,567</u></u>	\$ <u><u>28,189</u></u>	\$ <u><u>0</u></u>	\$ <u><u>306,756</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 5,771
Public safety	22,056
Public works	7,157
Total governmental activities	\$ <u><u>34,984</u></u>

Moffatt Township
Notes to Financial Statements
March 31, 2006

Note 6 - Risk Management

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 7 - Pension Plan

Moffatt Township has a defined contribution plan for elected officials through Metlife. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participants benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township is required to contribute an amount equal to 6% of the employee's gross earnings to the plan.

The contract requires contributions based on annual salary. The employee must contribute 6% of the compensation. The township is required to contribute the remaining 6% of compensation. Eligible compensation for the year was \$103,009. The contribution was as follows:

Employer (6%)	\$	6,324
Employee (6%)		6,324
	\$	<u>12,648</u>

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the year.

Required Supplemental Information

Moffatt Township
Budgetary Comparison Schedule - General Fund
Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	\$ 219,055	\$ 219,055	\$ 219,054	\$ (1)
Resources (Inflows)				
Taxes and fees	54,400	54,400	52,349	(2,051)
State revenues	88,012	88,012	83,876	(4,136)
Charges for services	10,804	10,804	14,331	3,527
Interest and rentals	2,700	2,700	2,219	(481)
Reimbursements	-	-	6,950	6,950
Other	2,000	2,000	1,594	(406)
Amounts available for appropriation	<u>376,971</u>	<u>376,971</u>	<u>380,373</u>	<u>3,402</u>
Charges to Appropriations (Outflows)				
General government	172,337	172,337	126,722	(45,615)
Public works	5,000	5,000	4,618	(382)
Community and economic development	22,300	22,300	16,647	(5,653)
Capital outlay	-	-	6,321	6,321
Total charges to appropriations	<u>199,637</u>	<u>199,637</u>	<u>154,308</u>	<u>(45,329)</u>
Fund Balance - end of year	<u>\$ 177,334</u>	<u>\$ 177,334</u>	<u>\$ 226,065</u>	<u>\$ 48,731</u>

Moffatt Township
 Budgetary Comparison Schedule - Road Fund
 Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	\$ 111,609	\$ 111,609	\$ 111,609	\$ -
Resources (Inflows)				
Taxes and fees	39,500	39,500	46,564	7,064
State grants	-	-	2,247	2,247
Interest	1,600	1,600	2,196	596
Amounts available for appropriation	<u>152,709</u>	<u>152,709</u>	<u>162,616</u>	<u>9,907</u>
Charges to Appropriations (Outflows)				
Public works	-	-	28,622	28,622
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>28,622</u>	<u>28,622</u>
Fund Balance - end of year	\$ <u>152,709</u>	\$ <u>152,709</u>	\$ <u>133,994</u>	\$ <u>(18,715)</u>

Moffatt Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	<u>\$ 271,857</u>	<u>\$ 271,857</u>	<u>\$ 271,857</u>	<u>\$ -</u>
Resources (Inflows)				
Taxes and fees	7,700	77,000	82,191	5,191
Reimbursement	-	-	500	500
Interest	1,700	1,700	4,610	2,910
Amounts available for appropriation	<u>281,257</u>	<u>350,557</u>	<u>359,158</u>	<u>8,601</u>
Charges to Appropriations (Outflows)				
Public safety	67,400	67,400	39,487	(27,913)
Capital outlay	-	-	33,712	33,712
Total charges to appropriations	<u>67,400</u>	<u>67,400</u>	<u>73,199</u>	<u>5,799</u>
Fund Balance - end of year	<u><u>\$ 213,857</u></u>	<u><u>\$ 283,157</u></u>	<u><u>\$ 285,959</u></u>	<u><u>\$ 2,802</u></u>

Moffatt Township
 Budgetary Comparison Schedule - Mosquito Fund
 Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fund Balance - Beginning of year	<u>\$ 86,376</u>	<u>\$ 86,376</u>	<u>\$ 86,376</u>	<u>\$ -</u>
Resources (Inflows)				
Taxes and fees	-	-	40,052	40,052
Charges for service	-	-	-	-
Interest	-	-	159	159
Amounts available for appropriation	<u>86,376</u>	<u>86,376</u>	<u>126,587</u>	<u>40,211</u>
Charges to Appropriations (Outflows)				
Public works	-	-	18,927	18,927
Total charges to appropriations	<u>-</u>	<u>-</u>	<u>18,927</u>	<u>18,927</u>
Fund Balance - end of year	<u><u>\$ 86,376</u></u>	<u><u>\$ 86,376</u></u>	<u><u>\$ 107,660</u></u>	<u><u>\$ 21,284</u></u>

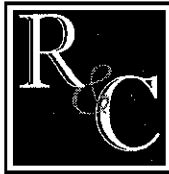
Other Supplemental Information

Moffatt Township
Balance Sheet
Nongovernmental Fund
March 31, 2006

	<u>Gypsy Moth</u>
Assets	
Cash and investments	\$ <u>84,699</u>
Total assets	\$ <u><u>84,699</u></u>
Liabilities and Fund Balances	
Liabilities:	
Due to other funds	\$ <u>2,684</u>
Total liabilities	<u>2,684</u>
Fund Balances:	
Unreserved	<u>82,015</u>
Total fund balance	<u>82,015</u>
Total liabilities and fund balances	\$ <u><u>84,699</u></u>

Moffatt Township
Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Fund
Year Ended March 31, 2006

	Gypsy Moth
Fund Balance - Beginning of year	\$ <u>83,948</u>
Resources (Inflows)	
Interest	<u>216</u>
Amounts available for appropriation	<u>84,164</u>
Charges to Appropriations (Outflows)	
Public works	<u>2,149</u>
Total charges to appropriations	<u>2,149</u>
Fund Balance - end of year	\$ <u><u>82,015</u></u>



ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

September 14, 2006

To the Township Board
Moffatt Township

We have audited the financial statements of Moffatt Township for the year ended March 31, 2006, and have issued our report thereon dated September 14, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Moffatt Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Moffatt Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2006. We noted no transactions entered into by Moffatt Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Moffatt Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Moffatt Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Moffatt Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Moffatt Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Moffatt Township
Page 3

Other Matters

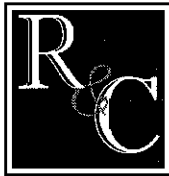
We have issued a separate letter of comments and recommendations regarding internal control and compliance matters to the Board in a letter dated September 14, 2006.

This information is intended solely for the use of the Township Board and management of Moffatt Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Robertson & Carpenter CPAs, P.C.

ROBERTSON & CARPENTER CPAs, P.C.



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September 14, 2006

Township Board
Moffatt Township
Arenac County, Michigan

Dear Township Board:

As a part of our biennial audit at March 31, 2006, we submit for your consideration certain comments and recommendations which we feel would strengthen your overall accounting and internal control system for the Township.

PENSION CONTRIBUTION

The Township pension plan requires employee contributions of 6% and a Township contribution of 6%. The contribution to the plan was not made timely for the 04/05 fiscal year and the 05/06 fiscal year. The remittance forms have been completed and the contributions will be submitted for payment.

FEDERAL TAX LIABILITIES

The employer federal tax deposits of social security and Medicare tax were occasionally filed and paid after the due dates. The payments and report filings should be done in a timely manner.

Respectfully submitted,

Robertson & Carpenter CPAs, P.C.

ROBERTSON & CARPENTER CPAs, P.C.